

## The Economic Stimulus and What It Could Mean to You

The Springboard Group, Inc.

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**Guest Author: Barbara Basl, CPA, MBA**

The American Recovery and Reinvestment Act – a \$787 billion spending bill - was signed into law in February, 2009. The intent is to stimulate the economy with federal tax cuts, expansion of unemployment benefits, other social welfare provisions, domestic spending in education, health care, infrastructure (roads, bridges, railways, etc) and energy. The government has set up a website that will describe and monitor the status of the spending. This website is a great resource for the public to learn more about the bill and the status of the stimulus impact on our economy. ([www.recovery.gov](http://www.recovery.gov))

The spending bill is over 400 pages so briefly the following illustrates a few key provisions and how it can impact you (summarized from [www.irs.gov](http://www.irs.gov))

- **Workers:** Making Work Pay credits which reduces payroll withholdings.
- **Retirees, veterans and the disabled:** Economic Recovery payment which is a one time payment of \$250 that will be sent automatically to retirees.
- **Unemployed:** Unemployment compensation is extended and reduces taxes on unemployment benefits (first \$2400 of benefits are non-taxable).
- **First-time home buyers:** Increases the 2008 credit for first time homebuyers and eliminates the repayment requirement. \$8000 credit for 2009 (no repayment) and \$7500 credit for 2008 (to be repaid over 15 yrs). There are various qualification criteria as well as phase out with Adjusted Gross Income levels starting at \$75,000 single, \$150,000 married filing jointly.
- **College students:** The Hope Credit is expanded as well as the definition of qualified expenses (allows tax free distributions from Section 529 plans to cover computer purchases). The Hope credit increases to \$2500 for 2009 and 2010 and is available for all four years of college.
- **New car buyers:** Allows sales tax deduction for those taxpayers who do not itemize deductions.
- **Breaks for families:** Expands the Earned Income tax credit and enhances the Child tax credit.

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- **Homeowners:** Energy saving credits are expanded and eliminates cap for different types of property and imposes a \$1500 cap on all qualifying property.
- **Middle-income taxpayers:** Creates a one year patch on the Alternative Minimum Tax (AMT) by increasing the minimum tax exemptions.

The key points of these provisions are noted above however, for complete details on qualifications and phase out limits please refer to the IRS website or contact your accountant. And be sure to check out the [recovery.gov](http://recovery.gov) website to see how the stimulus package is progressing!

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Barbara Basl, CPA, MBA specializes in Accounting, Financial Analysis, and Tax Preparation. You may contact her @ [bpbasl@verizon.net](mailto:bpbasl@verizon.net).